Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 USIE-00 INRE-00 ABF-01
AID-05 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 H-01
HA-05 L-03 SSO-00 /072 W
----------065109 281856Z /46
O R 281801Z FEB 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 3635
TREASURY DEPT WASHDC IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03272

E.O. 11652: XGDS-1
TAGS: EAID, EFIN
SUBJECT: PROPOSED INCREASE IN IMF/IBRD STAFF SALARIES

REF: STATE 43945

SUMMARY: U.K. BASICALLY SYMPATHETIC TO OUR OBJECTIONS, BUT BELIEVES WE MAY BE PUSHING TOO HARD, LOSING SENSE OF PROPORTION, BASING TOO MUCH ON INDEPENDENT CONSULTANTS' VIEWS WHICH U.K. CONSIDERS HEDGED AND QUALIFIED. END SUMMARY.

1. TREASURY REPRESENTATIVES MET WITH K.E. COUZENS, SECOND PERMANENT SECRETARY AT HM TREASURY, WITH RESPONSIBILITY FOR OVERSEAS FINANCE TO DISCUSS U.S. OBJECTIONS TO THE PROSPECTIVE COST OF LIVING INCREASES IN IMF/IBRD STAFF SALARIES PER REFTEL. ALSO PRESENT FROM HM TREASURY WERE ASSISTANT SECRETARY M.C. SCHOLAR AND UNDERSECRETARY M.E. HEDLEY-MILLER.
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2. WE GAVE U.K. TEAM PAPER BASED ON REFTEL AND STRESSED SECRETARY BLUMENTHAL'S PERSONAL INTEREST. COUZENS APOLOGIZED FOR NOT GIVING A DEFINITIVE REPLY TO THE U.S. OBJECTIONS, NOTING THAT HIS TRAVEL SCHEDULE AND ILLNESS OF BILL RYRIE HAD PROHIBITED THOROUGH CONSULTATIONS ON THE MATTER. THE U.K. TOOK U.S. CONCERNS QUITE SERIOUSLY.

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INDEED, THE CHANCELLOR HAS EXPRESSED HIS SYMPATHY FOR GIVING A HARD LOOK AT AND LENT HIS BEST EFFORTS TO ORGANIZING THE CURRENT INDEPENDENT STUDIES OF STAFF SALARIES.

3. COUZENS DID OFFER SOME REMARKS, AS A FIRST REACTION, ON THE U.S. POSITION, RESERVING THE DEFINITIVE U.K. REPLY UNTIL AFTER CONSULTATIONS WITH RYRIE WHO SHOULD BE IN LONDON THIS WEEK. HE NOTED THAT WITH/RESPECT TO THE IBR THERE SEEMED TO BE A LACK OF PROPORTION IN THE U.S. POSITION. HE UNDERSTOOD THAT U.S. EXECUTIVE DIRECTOR FRIED HAD STATED THAT WITHOUT PROGRESS ON THE SALARY AND HUMAN RIGHTS ISSUES, THE U.S. CONTRIBUTION TO THE BANK'S GENERAL CAPITAL INCREASE WOULD BE IN JEOPARDY. WHEREAS HUMAN RIGHTS WAS AN ISSUE OF SOME WEIGHT AND OF WELL-KNOWN CONCERN TO THE U.S., THE QUESTION OF SALARIES IS SOMEWHAT PETTY IN COMPARISON, AND LINKING IT TO U.S. CONTRIBUTION SEEMS OUT OF PROPORTION TO THE ISSUE.

4. COUZENS SAID THAT SOME POINTS IN THE U.S. POSITION (AS OUTLINED IN REFTEL) MIGHT BE TACTICALLY WEAK. THE IMF/IBRD STAFFS WILL DOUBTLESS POINT OUT THAT THE U.S. POSITION IN FACT PRESUPPOSES THE INDEPENTENT STUDY WILL CONCLUDE THAT STAFF SALARIES ARE TOO HIGH.THE LANGUAGE OF THEINDEPENDENT CONSULTATION REPORT IS IN FACT WELL HEDGED THE U.S. OPPOSITION TO THE COST OF LIVING INCREASES MAY
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IN TURN BE CHARGED WITH PREJUDICING THE COMMITTEE'S FINDINGS. EVEN IF THE ASSERTION OF OVERPAYMENT AGAINST A BASKET FROM THE U.S. PRIVATE SECTOR IS TRUE, THERE ARE MANY QUESTIONS THAT WOULD REMAIN OPEN -- FOR EXAMPLE, USING THE U.S. PRIVATE SECTOR AS A NORM FOR SALARY LEVELS.

5. COUZENS SUGGESTED THAT THERE MIGHT BE OTHER APPROACHES THAT WOULD MINIMIZE SHARP CLASHES WITH THE STAFFS. FOR EXAMPLE, IT MIGHT BE POSSIBLE TO SEPARATE THE QUESTION OF GROSSING UP U.S. NATIONAL'S INCOMES FROM THE OTHER SALARY QUESTIONS. PRESUMABLY THE SOLUTION WOULD INVOLVE A SMALLER GROSS SALARY THAN THAT NOW PAID TO U.S NATIONALS. THIS WOULD ALLOW SOME PROGRESS TO BE SHOWN NOW ON THE SALARY QUESTION, WHILE WHAT MUST BE A MORE PROTRACTED DISCUSSION OF OTHER MORE GENERAL ISSUES PROCEEDS.

6. TO SUMMARIZE HIS PRELIMINARY THOUGHTS, COUZENS SAID THAT THE U.K. UNDERSTANDS THE PROBLEM ANO SYMPATHIZES WITH THE U.S. POSITION. IT WANTS TO HELP BUT BELIEVES THAT IT WILL BE NECESSARY TO KEEP A SENSE OF PROPORTION

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IF PROGRESS IS TO BE MADE TOWARD SETTING AN APPROPRIATE
LEVEL OF SALARIES. THE U.S. SUGGESTION FOR A 50 PERCENT

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03272

ANNUAL ADJUSTMENT IN THE COST OF LIVING SEEMS LOGICAL AND
SENSIBLE IF SALARIES ARE TOO HIGH, BUT PROGRESS SHOULO BE
MADE WITHOUT CAUSING AN UNDUE ROW WITH THHE STAF/ OR WITN
COUNTRIES LIKE TNE FGR, FOR WHOSE NATIONALS STAFF SALAR-
IES ARE BECOMING LESS AND LESS ATTRACTIVE. IN COUZENS'
OPINION, THE GERMANS APPEAR CONTEMPTUOUS OF THE U.S. SUG-
GESTION, AND EVEN DE LA ROSIERE APPEARS TO THINK WE MAY
BE PUSHING TOO HARD.

7. IMF SALARIES. IN A SEPARATE CONVERSATION, KIT
MCNAHON, DIRECTOR OF THE BANK OF ENGLAND, TOLD TREASURY
REPRESENTATIVE THAT THE BANK AND THE UK APPEAR TO BE "IN
THE MIDDLE" ON THIS ISSUE. THEY HAVE NOT COME TO A CON-
CLUSION ON THE CONSULTANT'S REPORT. THEY THINK IT MIGHT
BE REASONABLE TO DEFER THE COST OF LIVING INCREASES WHILE
THERE IS STILL DISCUSSION TAKING PLACE ON THE REPORT. IT
WOULD NOT CREATE HARDSHIP. THIS SAID, THE BANK ALSO CON-
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SIDERS THE 10 PERCENT FIGURE ON OVERPAYMENT "NOT TO BE TERRIBLY FIRM." IT IS SYMPATHETIC WITH THE US PROPOSAL ON THE GROSS TAX PAYMENT. MCMAHON SAID UK DOES NOT CONSIDER IT A GOOD IDEA TO SOMEHOW LINK IMF/IBRD SALARIES TO
.
THE US PUBLIC SECTOR SALARIES BECAUSE IT BELIEVES US PUBLIC SERVANTS ARE UNDERPAID.

8. MCMAHON ALSO STRESSED THE BANK IS UPSET WITH THE US LINKING IBRD CAPITAL INCREASES TO SALARIES. "THE US IS OVERDOING IT." NOR DOES THE BANK NECESSARILY CONSIDER IT A GOOD IDEA TO GO AHEAD WITH INCREASED IBRD LENDING UNTIL THE INCREASED CAPITAL HAS BEEN AGREED UPON.

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